

CONFORMED COPY

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the period ended March 31, 2003

or

☐ Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the transition period from ____ to ____

Commission file number 333-41977-04

I.R.S. Employer Identification Number 55-0757539

PDC 1998-D LIMITED PARTNERSHIP

(A West Virginia Limited Partnership)
103 East Main Street
Bridgeport, WV 26330
Telephone: (304) 842-6256

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as definition in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

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PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Balance Sheets

March 31, 2003 and December 31, 2002

<u>Assets</u>	<u>2003</u> (Unaudited)	<u>2002</u>
Current assets:		
Cash	\$ 2,036	1,816
Accounts receivable - oil and gas revenues	<u>576,120</u>	<u>373,683</u>
Total current assets	578,156	375,499
Oil and gas properties, successful efforts method	10,146,279	10,123,711
Less accumulated depreciation, depletion and amortization	<u>3,765,320</u> <u>6,380,959</u>	<u>3,622,985</u> <u>6,500,726</u>
	<u>\$6,959,115</u>	<u>6,876,225</u>
 <u>Current Liabilities and Partners' Equity</u>		
Current liabilities:		
Accrued expenses	\$ <u>165,713</u>	<u>111,913</u>
Total current liabilities	165,713	111,913
Asset retirement obligation	28,919	-
Partners' Equity	<u>6,764,483</u>	<u>6,764,312</u>
	<u>\$6,959,115</u>	<u>6,876,225</u>

See accompanying notes to financial statements.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statements of Operations

Three months ended March 31, 2003 and 2002
(Unaudited)

	<u>2003</u>	<u>2002</u>
Revenues:		
Sales of oil and gas	\$ 712,919	339,536
Interest income	<u>277</u>	<u>543</u>
	713,196	340,079
Expenses:		
Lifting cost	203,076	193,635
Direct administration cost	486	58
Depreciation, depletion, and amortization	<u>134,258</u>	<u>193,250</u>
	<u>337,820</u>	<u>386,943</u>
Income (loss) before cumulative effect of accounting change	375,376	(46,864)
Cumulative effect of accounting change	<u>14,001</u>	<u>-</u>
Net income (loss) after cumulative effect of accounting change	<u>\$361,375</u>	<u>(46,864)</u>
Net income (loss) per limited and additional general partner unit	<u>\$ 282</u>	<u>(37)</u>

See accompanying notes to financial statements.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statement of Partners' Equity

Three months ended March 31, 2003
(Unaudited)

	Limited and Additional General Partners	Managing General Partner	Accumulated Other Comprehensive Income	<u>Total</u>
Balance, December 31, 2002	\$5,446,489	1,382,596	(64,773)	6,764,312
Distributions to partners	(289,201)	(64,837)	-	(354,038)
Comprehensive income:				
Net income	289,100	72,275	-	361,375
Change in fair value of outstanding hedging positions			(42,542)	
Less reclassification adjustments for settled contracts included in net income			<u>35,376</u>	
Other comprehensive loss			(7,166)	<u>(7,166)</u>
Comprehensive income	<u> </u>	<u> </u>	<u> </u>	<u>354,209</u>
Balance, March 31, 2003	<u>\$ 5,446,388</u>	<u>1,390,034</u>	<u>(71,939)</u>	<u>6,764,483</u>

See accompanying notes to financial statements.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statements of Cash Flows

Three months ended March 31, 2003 and 2002
(Unaudited)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income (loss)	\$361,375	(46,864)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation, depletion and amortization	134,258	193,250
Cumulative effect of accounting change	14,001	-
Accretion of asset retirement obligation	427	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable - oil and gas revenues	(147,422)	124,264
Decrease in accounts payable	<u>(8,381)</u>	<u>(5,066)</u>
Net cash provided from operating activities	<u>354,258</u>	<u>265,584</u>
Cash flows from financing activities:		
Distributions to partners	<u>(354,038)</u>	<u>(265,098)</u>
Net cash used by financing activities	(354,038)	(265,098)
Net increase in cash	220	486
Cash at beginning of period	<u>1,816</u>	<u>6,101</u>
Cash at end of period	<u>\$ 2,036</u>	<u>6,587</u>

See accompanying notes to financial statements.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

1. Accounting Policies

Reference is hereby made to the Partnership's Annual Report on Form 10-K for 2002, which contains a summary of significant accounting policies followed by the Partnership in the preparation of its financial statements. These policies were also followed in preparing the quarterly report included herein except as noted below.

2. Basis of Presentation

The Management of the Partnership believes that all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results of such periods have been made. The results of operations for the three months ended March 31, 2003 are not necessarily indicative of the results to be expected for the full year.

3. Oil and Gas Properties

The Partnership follows the successful efforts method of accounting for the cost of exploring for and developing oil and gas reserves. Under this method, costs of development wells, including equipment and intangible drilling costs related to both producing wells and developmental dry holes, and successful exploratory wells are capitalized and amortized on an annual basis to operations by the units-of-production method using estimated proved developed reserves which will be determined at year end by the Managing General Partner's petroleum engineer. If a determination is made that an exploratory well has not discovered economically producible reserves, then its costs are expensed as dry hole costs.

4. Derivative Instruments and Hedging Activities

The Managing General Partner utilizes commodity based derivative instruments as hedges to manage a portion of the Partnership's exposure to price volatility stemming from natural gas production. These instruments consist of costless collars and option contracts traded on the New York Mercantile Exchange. The costless collars and option contracts hedge committed and anticipated natural gas sales generally forecasted to occur within a 12 month period. The Managing General Partner does not hold or issue derivatives for trading or speculative purposes.

5. Change in Accounting Principle

In June 2001, the Financial Accounting Standard Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations" that requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. This statement is effective for fiscal years beginning after June 15, 2002. The Partnership adopted SFAS No. 143 on January 1, 2003 and recorded a net asset of \$14,491 and a related liability of \$28,492 (using a 6% discount rate) and a cumulative effect on change in accounting principle on prior years of \$14,001.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Partnership was funded with initial Limited and Additional General Partner contributions of \$20,525,261 and the Managing General Partner contributed \$4,464,244 in accordance with the Agreement. Syndication and management fee costs of \$2,668,284 were incurred leaving available cash of \$22,321,221 for Partnership activities.

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed well drilling activities by March 31, 1999. Ninety-seven wells have been drilled of which eighty-nine have been completed as producing wells.

The Partnership had net working capital at March 31, 2003 of \$412,443.

Operations are expected to be conducted with available funds and revenues generated from oil and gas activities. No bank borrowings are anticipated.

Results of Operations

Sales of oil and gas increased 109.97% during the first quarter of 2003 compared to 2002 due to higher average sales prices of natural gas offset in part by lower sales volumes of natural gas. The partnership distributed \$354,038 to the partners during the first quarter of 2003.

The Partnership's revenues from oil and gas will be affected by changes in prices. As a result of changes in federal regulations, gas prices are highly dependent on the balance between supply and demand. The Partnership's gas sales prices are subject to increase and decrease based on various market sensitive indices.

Critical Accounting Policies

Certain accounting policies are very important to the portrayal of Partnership's financial condition and results of operations and require management's most subjective or complex judgments. The policies are as follows:

Impairment of Long-Lived Assets. The Partnership assesses impairment of capitalized costs of proved oil and gas properties by comparing net capitalized costs to undiscounted future cash flows on a field-by-field basis using expected prices. Prices utilized in each year's calculation for measurement purposes and expected costs are held constant throughout the life of the properties. If net capitalized costs exceed undiscounted future net cash flow, the measurement of impairment is based on estimated fair value which would consider future discounted cash flows.

The judgment used in applying the above policies are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates. See additional discussions in this Management's Discussion and Analysis.

PDC 1998-D LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

Item 3. Quantitative and Qualitative Disclosure About Market Rate Risk

Market-Sensitive Instruments and Risk Management

The Partnership's primary market risk exposure is commodity price risk. This exposure is discussed in detail below:

Commodity Price Risk

Natural gas and oil prices have been unusually volatile for the past few years, and the Partnership anticipates continued volatility in the future. Currently, the NYMEX futures reflect a market expectation of gas prices at Henry Hub close to or above record prices per million Btu's (mmbtu). These prices look strong for the remainder of the year with natural gas storage levels at five-year low levels. The Partnership believes that volatility creates the possibility of both periods of low prices and continued high prices.

Because of the uncertainty surrounding gas prices the Managing General Partner used hedging agreements to manage some of the impact of fluctuations in prices for the Managing General Partner and its various limited partnership's share of production. Through March of 2004 the Partnership has in place a series of costless collars and option contracts. Under the collar arrangements, if the applicable index rises above the ceiling price, the Partnership pays the counterparty, however if the index drops below the floor the counterparty pays the Partnership. For the period from April 2003 through October 2003, the Partnership has floors in place in a range from \$3.40 to \$5.50 on 51,002 Mmbtu of monthly production and ceilings in place in a range from \$3.80 to \$5.95 on 26,094 Mmbtu of monthly production. For the period November, 2003 through March, 2004, the Partnership has floors in place in a range from \$4.20 to \$4.45 on 16,605 Mmbtu of monthly production and ceilings in place in a range from \$5.00 to \$5.40 on 8,303 Mmbtu of monthly production. The fair value of these floors and ceilings as of March 31, 2003 is \$(71,939).

As of March 31, 2003 the Partnership had option contracts for the sale of 224,172 Mmbtu of natural gas with an average ceiling price of \$4.99 and for the sale of 440,042 Mmbtu of natural gas with an average floor price of \$4.25.

Disclosure of Limitations

As the information above incorporates only those exposures that exist at March 31, 2003, it does not consider those exposures or positions which could arise after that date. As a result, the Partnership's ultimate realized gain or loss with respect to commodity price fluctuations will depend on the exposures that arise during the period, the Partnership's hedging strategies at the time and commodity prices at the time.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Managing General Partner's management, including the Managing General Partner's Chief Executive Officer and Chief Financial Officer, the Partnership has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) within 90 days of the filing date of this quarterly report, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective in all material respects, including those to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to management, including the Managing General Partner's Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely disclosure. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Name	Exhibit Number
Certification by Chief Executive Officer	99.1
Certification by Chief Financial Officer	99.2

(b) No reports on Form 8-K have been filed during the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PDC 1998-D Limited Partnership
(Registrant)

By its Managing General Partner
Petroleum Development Corporation

/s/ Steven R. Williams
Steven R. Williams
President

Date: May 14, 2003

/s/ Dale G. Rettinger
Dale G. Rettinger
Executive Vice President
and Treasurer

Date: May 14, 2003

FORM 10-Q CERTIFICATION

I, Dale G. Rettinger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PDC 1998-D Limited Partnership;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Dale G. Rettinger
Dale G. Rettinger
Chief Financial Officer
of Petroleum Development Corporation

FORM 10-Q CERTIFICATION

I, James N. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PDC 1998-D Limited Partnership;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ James N. Ryan

James N. Ryan

Chief Executive Officer

of Petroleum Development Corporation